

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 21, 2006

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Kathleen Hass, Director of Purchasing; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Randall Avery, Deputy Chief of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.
Guests: Michael Gocłowski, Law Warehouses.

EXCUSED: Chairman Anthony Maiola.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Year-to-Date Sales Reports:

Total sales for the weekly comparison increased 4.51% or \$361,453 over last year, and also increased year-to-date by 5.81% or \$22,098,245.

B. Budget/Administrative Reports:

The Commission had four items on the last Governor and Council agenda: the Sweepstakes Incentive, the Underage Drinking grant and two contracts. All passed without any questions.

Last Thursday Craig attended a statewide human resources meeting, and this past Monday he met with representatives of the SEA regarding the “fair share” agreement. A list of employees will be sent to Evie with proposed times to meet with them. Craig will keep everyone informed on any further developments by e-mail.

There was a Governor’s Capital Budget hearing regarding the Commission this past Monday afternoon. Seven items were presented with a brief explanation of each, and the process was concluded in about 15 minutes.

At the conclusion of today’s meeting, Craig will distribute the new 7-D forms which are part of the FY08-09 operating budget process to the Bureau Chiefs. Due to the short time line, Craig asked that they be completed and returned to him by July 5th. Commissioner Byrne asked that this be shortened to July 3rd to allow ample time to make sure all information is submitted correctly.

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The current W-6 Expense Budget Activity Variance Report shows the year to be at about 97% expired, with around 88% of the total budget expended. All categories are holding their own at this point.

Accounting continues to provide information to the LBA auditors as requested. No major issues have arisen at this point in time.

2. IT Report

Howard reported that network issues have been resolved and everything is back to normal.

The point-of-sale contract is now being put together over at OIT.

Howard forwarded a memo to everyone this morning saying that, even though employees are still receiving a lot of SPAM mail, there is still a lot which is being intercepted by Iron Mail. If anyone sees any e-mail which is really out of line, particularly of a personal or sexual nature, it should be reported to the IT Help Desk.

The MOA, which needs to be signed by the end of the month, should be on next week's agenda.

There was discussion regarding the new electronic filing program. Commissioner Byrne explained how offers have been traditionally accepted. Now brokers will download electronically, and paper offers will be eliminated. A summary sheet will automatically be created and will not have to be done manually. Howard showed a slide presentation of how the process will work and the screen which will be accessed by suppliers. Once the necessary numbers are submitted, they will enter into the system to be reviewed by either Rick or Nicole. Items which require Commission action will go into a spreadsheet summary page. Commissioner Byrne felt that all suppliers should be encouraged to start the electronic process by August 1st.

Commissioner Byrne explained that a proposed binding referendum in Massachusetts which would allow wines to be sold in all retail outlets is likely to pass. If it does, New Hampshire will have serious competition from the major chains selling wines. This new Epss system would allow brokers and suppliers the ability to offer depletion allowances and purchase allowances on a channel basis. He said the Commission needs to consider accepting any offers for the off-premise market in order to remain competitive. It was supported by Commissioner Byrne and Commissioner Russell that the Commission implement the electronic filing system for special purchase and depletion allowances. Commissioner Byrne said he would like to discuss pricing issues further, with no action to be taken at this time on changing the method of calculating how SPA's are passed onto licensees.

3. Human Resources Report

Evie reported that there are currently nine overdue performance reports – six for stores, two for Enforcement and one for headquarters.

Craig reminded everyone of the e-mail sent out from Veronica Sedille on the new ERP system. He said one of the responsibilities of the company handling this is to assess the mental attitude of employees towards this change. If employees can take the time to answer the survey questions, it would be very helpful.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 6/18/06, which were influenced by Motorcycle Weekend, increased by 7.76% or \$490,206.69.

Renovations are continuing at Store #66 Hooksett, with the maintenance crew now in the process of installing the ceiling. Peter is looking at next Monday for pushing back the shelving.

2. Purchasing Report

Kathy Hass distributed the current out-of-stock warehouse report.

3. Merchandising Report

A. SPIRITS:

1) Electronic Submission of Supplier/Broker Offers:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the submission of all supplier/broker depletion allowance/special purchase allowance offers electronically through the EPSS system by August 1, 2006, with training being made available to brokers upon request. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Three Olives Watermelon Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distillers for a new test market listing

for Three Olives Watermelon Vodka, 750ML size (assigned new Code #3468), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Result (Code #3582):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a specialty listing for Code #3582, Pinnacle Raspberry Vodka, 1.75L size, as this item achieved the gross profit required for specialty item consideration at the conclusion of a three-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

B. WINES:

1) Special Offers for August 2006:

a. 8 items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions/special purchase allowances for eight (8) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 24 items – M.S. Walker, NH:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions/special purchase allowances for twenty-four (24) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 36 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions/special purchase allowances for thirty-six (36) wine items, to be featured on sale during August 2006,

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as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 12 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions/special purchase allowances for twelve (12) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 107 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for one hundred seven (107) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 100 items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions/special purchase allowances for one hundred (100) wine items, to be featured on sale during August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Electronic Submission – August Offers (4 items – M.S. Walker, NH):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) special offers for August 2006 submitted electronically by M.S. Walker, NH, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Store Tastings (E & J Gallo Winery):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a revision for Steve Mirrasou's store visit/in-

store tasting at Store #76 Hampton from 3:00 to 5:00 p.m. to 1:00 to 3:00 p.m., as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Appeal Purchase & Introduction of Concha Y Toro Frontera:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company for the purchase and introduction of Code #43801, Concha Y Toro Frontera Cabernet and Code #43802, Concha Y Toro Frontera Rose, 1.5L sizes, for display in Cluster 1 and 2 stores, and also approve the affidaviting of fourteen (14) wines and removal of four (4) of them from retail availability, per request by Horizon Beverage Company, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Test Market Request for Zig Zag Zin:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker to test market Code #43746, Zig Zag Zinfandel by placing three absolutes in all Cluster 1 stores and in four additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Close Outs (15 French Rhone wines):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close-out pricing and removal from retail availability of fifteen (15) French Rhone wine products, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) “R” Wines for Allocation to Licensees (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (1 primary source; 15 exclusive agent; 22 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, fifteen (15) wine codes which are offered by the exclusive marketing agent and twenty-two (22) imported wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT - No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 15 through June 21, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

V. EXECUTIVE SESSION

The Commission adjourned this meeting and voted to go into non-public session to discuss personnel and store location items at 1:40 p.m.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

